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Chairman Ben Bernanke
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

October 14, 2010

Dear Chairman Bernanke,

After reviewing Federal Open Market Committee (FOMC) minutes and statements by FOMC Members, it has come to my attention there is a growing consensus supporting another round of quantitative easing to stimulate the economy. I would like to express my serious reservations about initiating a second round of quantitative easing.

A policy of further quantitative easing presupposes a belief that our economy suffers primarily from a lack of supply of capital. Mr. Chairman, as you aware, American banks and other corporations are holding large amounts of capital reserves on their balance sheets. Presently, I am convinced that banks, and for that matter most businesses, remain paralyzed by fear of economic uncertainty. Specifically, this uncertainty has been caused by the passage and pending implementation of the President's health care "reform" bill (that also significantly damaged our nation's student loan industry) and the Dodd-Frank Wall Street "reform" bill; the persistent threat of a carbon tax; the scheduled expiration of the 2001 and 2003 "Bush" tax cuts; the unabated amassment of national debt; and self-empowering federal agencies like the Environmental Protection Agency (EPA), which last year gave itself the authority to regulate carbon dioxide and methane as hazardous chemicals. Thus, I am concerned a second round of quantitative easing only represents a material solution to an immaterial problem – a problem that can only be resolved by taking action to reduce a climate of uncertainty.

Moreover, I am concerned that a second round of quantitative easing will further aggravate market participants' uncertainty about near-term economic conditions. There can be little doubt that a second round of quantitative easing would represent a near-emergency intervention by the Federal Reserve and a signal of duress about the future of our economy. In addition, quantitative easing and its concomitant *ex nihilo* creation of money will undoubtedly impact the inflation rate. Unsettlingly, it remains to be seen where inflation would settle after the proposed implementation of a second quantitative easing.

Perhaps the largest uncertainty regarding another round of quantitative easing surrounds the ability of the endeavor to succeed or achieve stated policy goals. For instance, FOMC Member and Kansas City Federal Reserve Bank President Thomas Hoenig recently commented in public that, "While [a second round of quantitative easing] might work in clean theoretical models, I am less confident it will work in the real world." Similarly, Vice President and economic adviser at the St. Louis Federal Reserve Bank Daniel Thorton questioned another round of quantitative easing saying, "It is possible- perhaps even likely- that almost all of any increase in supply of credit associated with QE2 would simply be held by bank as excess reserves." Moreover, a number of respected economists have stressed that even significant quantitative easing will have a minimal impact on our economy. Lacking supporting evidence from the FOMC, I remain highly skeptical that quantitative easing will provide a necessary stimulus to substantially improve our economy.

While I respect and sincerely appreciate the FOMC Members' concern for our nation's economy and our citizens, I maintain serious reservations about the Federal Reserve engaging in another round of quantitative easing. Given the non-stimulative, if not deleterious effect, of the President's and Congress's economic policies, I certainly understand FOMC Members' impulse to improve our economy through monetary policy. Nevertheless, if viewed strictly on its merits – not primarily through the prism of political feasibility/expediency, I think a second round of quantitative easing is clearly less preferable than improving our nation's economy through responsible fiscal policy that consists of decreased government spending and lower rates of taxation and a constrained regulatory regime that operates within the boundaries of prudence and reasoned self-restraint. Any short-term, pro-inflation monetary policy such as quantitative easing, could be detrimental to our nation's long economic stability and is no substitute for rational, pro-growth fiscal policies.

Thus, I call upon the FOMC to refrain from initiating a second round of quantitative easing. In addition, I request you and FOMC Members explain to Congress the merits of another round of quantitative easing and the impact this inflationary policy would have on American families and our nation's economic prosperity.

Thank you for your continued service to our country.

Sincerely,

Michele Bachmann
Member of Congress